Joint-Use Schools Projects (Projects 1 & 2)

Public-Private Partnership

Value for Money Assessment Report

December 2015

EXECUTIVE SUMMARY

Saskatchewan is growing – both its economy and population size have experienced an unprecedented increase over the past several years. This continued growth has placed pressure on enrolment in some existing schools.

The Saskatchewan Government is responding by building 18 new publicly owned and operated elementary schools on nine joint-use sites in four of the province's fastest growing communities: Martensville, Regina, Saskatoon, and Warman.

Each joint-use site will include two schools: one public and one Catholic, along with a 90-space childcare centre and community space. The schools will offer educational programming for students ranging from pre-kindergarten to grade 8. Joint-use schools between school divisions provide options for shared programming opportunities for students, and have the potential to strengthen school division partnerships.

Procurement for the schools began on July 31, 2014, when the Government announced that in partnership with the five corresponding school divisions, it would proceed with a Design-Build-Finance-Maintain (DBFM) public-private partnership (P3) to concurrently construct the schools by September 2017. Two parallel competitive procurement processes were conducted:

- Project 1 - Six schools on three sites in Regina; and

- Project 2 - Twelve schools on six sites in Saskatoon, Martensville and Warman.

By using a P3, the government will deliver the province's largest construction of new schools on-time, on-budget, and approximately nine years sooner than could have been achieved through a traditional approach.

The project is forecasted to create approximately 2,300 construction-related jobs in Saskatchewan with 1,600 expected in the Saskatoon area and 700 in Regina.

By the Numbers:

- *18 schools on 9 sites*
- *Designed for 11,100 students:*
  - *3,300 in Regina*
  - *5,700 in Saskatoon*
  - *2,100 in Martensville and Warman*
- *810 new childcare spaces*
- *2,300 new construction-related jobs expected*

Value for Money

A value for money (VFM) assessment was completed by independent financial advisor, KPMG, to select the best procurement approach for the project. KPMG compared the costs of a P3 procurement to a traditional Design-Bid-Build (DBB) procurement. KPMG's findings are included in this report.

Using a P3 approach, the Net Present Value (NPV) of the combined total project cost was $635 million in 2015 dollars, which is $100 million (or 13%) in savings over the contract term. Broken down by project the costs were:

- **Project 1** - the NPV of the total cost was $202.3 million, compared to $233.2 million for a traditional DBB. This represents a $30.9 million (or 13.26%) savings over the term of the contract.

- **Project 2** - the NPV of the total cost was $432.9 million, compared to $502.3 million for a traditional DBB. This represents a $69.4 million (or 13.82%) savings over the term of the contract.

The combined construction costs, including interest costs during construction, of the two projects on an NPV basis using the P3 model is equal to $373.5 million. When compared to the estimated construction costs under the traditional model, this represents savings of approximately $34.5 million.

Cost savings were achieved through construction and design innovations, life-cycle optimization, risks transferred from the public to the private sector, and a fixed-price contract.

Designed with Learners and the Community In Mind:

- *Large open spaces, such as the learning commons, library and student commons providing a variety of learning environments and smaller breakout spaces.*
- *Multipurpose spaces that are central to the facility.*
- *Overhead and sliding doors that provide large opening connections between classrooms and breakout spaces and add to the variety of learning environments.*
- *Movable walls that connect multipurpose physical to the gymnasiums to create options for one large event or up to three simultaneous events.*
- *Natural daylight and outside views throughout to reduce the institutional feel and lower energy costs.*
- *Technology displays throughout the schools to provide real time data on the sustainability and energy use within the facility.*

Timeline

The procurement process, led by SaskBuilds, began on July 31, 2014, with the Request for Qualifications (RFQ) phase.

On October 31, 2014, three teams were shortlisted for the Request for Proposals (RFP) phase for both project 1 and project 2:

- Joint-Use Mutual Partnership;
- Plenary Education; and
- Tandem Education Partners.

On June 15, 2015, the Government announced Joint-Use Mutual Partnership as the Preferred Proponent team for both Project 1 and Project 2 schools. The Joint-Use Mutual Partnership team comprises the following companies as a single entity: Concert Infrastructure Ltd., Bird Capital Limited Partnerships, Bird Design-Build Construction Inc., Wright Construction Western Inc., GEC Architecture, Kindrachuk Agrey Architecture, and Johnson Controls Canada LP.

On August 17, 2015, the Ministry of Education signed two 32-year Project Agreements (two-year design and construction period, and 30-year operating, maintenance and rehabilitation term for each project) with Joint-Use Mutual Partnership.

The schools will be fully owned and operated by the school divisions. Construction began in summer 2015 and will be complete in time for the start of school in September 2017.

An independent external Fairness Advisor was engaged to monitor the two-staged competitive selection process and concluded that it was fair and impartial. A summary of the Fairness Advisor's findings are included in this report.

Fairness Advisor

School Locations

Project #	City	Location	Public School Division	Catholic School Division
1	Regina	Greens on Gardiner	Regina School Division No. 4	Regina Roman Catholic Separate School Division No. 81
1	Regina	Harbour Landing	Regina School Division No. 4	Regina Roman Catholic Separate School Division No. 81
1	Regina	Rosewood Park	Regina School Division No. 4	Regina Roman Catholic Separate School Division No. 81
2	Saskatoon	Evergreen	Saskatoon School Division No. 13	St. Paul's Roman Catholic Separate School Division No. 20
2	Saskatoon	Hampton Village	Saskatoon School Division No. 13	St. Paul's Roman Catholic Separate School Division No. 20
2	Saskatoon	Rosewood	Saskatoon School Division No. 13	St. Paul's Roman Catholic Separate School Division No. 20
2	Saskatoon	Stonebridge	Saskatoon School Division No. 13	St. Paul's Roman Catholic Separate School Division No. 20
2	Martensville	Lake Vista	Prairie Spirit School Division No. 206	St. Paul's Roman Catholic Separate School Division No. 20
2	Warman	Traditions	Prairie Spirit School Division No. 206	St. Paul's Roman Catholic Separate School Division No. 20

cutting through complexity

Saskatchewan Joint-Use Schools Projects – Projects 1 & 2

Value for Money Report

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1 Introduction

In December 2013, KPMG LLP ("KPMG") was retained by SaskBuilds Corporation ("SaskBuilds") to develop a public-private partnership ("P3") business case for the development of nine joint-use schools across the Province in the high-growth communities of Martensville, Regina, Saskatoon and Warman.

Following the completion of the P3 business case in June 2014, the project was approved for delivery as a P3 and it was determined that the project would be delivered as two separate joint-use school bundles through separate procurement processes. At that point, KPMG was retained by SaskBuilds to act as its financial advisor throughout the procurement process.

KPMG's role during the procurement process was limited to the financial aspects of the process, including development of the financial components of the Project Agreement (e.g., payment mechanism and payments schedule), review of the Request for Qualifications ("RFQ") and Request for Proposals ("RFP") financial submission requirements, assisting with the financial evaluation process during the RFQ and RFP stages and updating the Value for Money ("VFM") assessment at various phases of the procurement process.

Financial close was achieved for both projects on August 17, 2015. KPMG's final deliverable for the project was the development of this project report describing the various aspects of the project including the delivery options that were considered, the competitive selection process that was undertaken and the key terms of the Project Agreement, in addition to providing the final VFM assessment.

The information contained herein is based on the Project Agreements signed between the Saskatchewan Ministry of Education (the "Ministry") and Joint-Use Mutual Partnership. In instances where KPMG was not directly involved in the process, the information has been attributed to the appropriate party that has provided the information.

For ease of reference a glossary of key terms used in the report can be found in Appendix A.

Disclaimer

This report has been prepared for the sole purpose of assisting SaskBuilds and the Ministry in analyzing the potential Value for Money associated with the Joint-Use Schools Projects. KPMG will not assume any responsibility or liability for losses incurred by the Government of Saskatchewan, its management, its directors or any other parties as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph. The comments, calculations and conclusions noted or referred to herein are based on information that has been made available to KPMG by SaskBuilds and other parties.

In preparing the Report, KPMG relied upon information and material provided by SaskBuilds and other parties. KPMG has not audited nor independently verified any of the information contained herein. None of KPMG, member firms of KPMG, nor any of their respective directors, officers, partners, employees, agents or representatives make any representations or warranties as to the accuracy, reasonableness or completeness of this information, nor shall any of them have any liability for any representations, expressed or implied contained herein, or for any omissions from the report or from any other written or oral communications transmitted in connection with the report.

2 Project Overview

2.1 Project Background

In October 2013, the Government of Saskatchewan, the Ministry of Education and the School Divisions announced the future construction of nine new joint-use schools ("Schools") located in communities experiencing unprecedented growth including: Martensville, Regina, Saskatoon, and Warman. Each joint-use school site will accommodate two schools, one Public and one Catholic, and one central shared space to form a single, cohesive joint-use facility. The Schools will offer educational programming for students ranging from Pre-Kindergarten to grade 8. Joint-use schools between Catholic and Public School Divisions are intended to provide options for shared programming opportunities for students, and have the potential to strengthen partnerships between School Divisions. As indicated by the Ministry, the key attributes of the program and environment include:

- Flexible learning environments for varied instructional use and class size;
- Interdisciplinary, project based and inquiry based teaching and learning;
- A technology-rich environment that anticipates changes in educational delivery;
- Teacher collaboration and support spaces integrated into learning communities; and
- School commons space that allows students of all ages to gather and connect.

In addition, each joint-use school will feature a core space for shared joint and public use, which maximizes the use of the Schools by integrating school facilities with community programming. The Schools are expected to include a combined 810 new child care spaces as well as a community resource centre at each site.

Construction on the Schools began in June 2015 under an Early Works Agreement between the Ministry and Joint-Use Mutual Partnership, with construction scheduled to be completed by June 2017 in time for the start of the school year in September 2017. Table 2-1 identifies the locations for each School.

Table 2-1: School Locations

Project #	City	Location	Public School Division	Catholic School Division
1	Regina	Greens on Gardiner	Regina School Division No. 4	Regina Roman Catholic Separate School Division No. 81
1	Regina	Harbour Landing	Regina School Division No. 4	Regina Roman Catholic Separate School Division No. 81
1	Regina	Rosewood Park	Regina School Division No. 4	Regina Roman Catholic Separate School Division No. 81
2	Saskatoon	Evergreen	Saskatoon School Division No. 13	St. Paul's Roman Catholic Separate School Division No. 20
2	Saskatoon	Hampton Village	Saskatoon School Division No. 13	St. Paul's Roman Catholic Separate School Division No. 20
2	Saskatoon	Rosewood	Saskatoon School Division No. 13	St. Paul's Roman Catholic Separate School Division No. 20
2	Saskatoon	Stonebridge	Saskatoon School Division No. 13	St. Paul's Roman Catholic Separate School Division No. 20
2	Martinsville	Lake Vista	Prairie Spirit School Division No. 206	St. Paul's Roman Catholic Separate School Division No. 20
2	Warman	Traditions	Prairie Spirit School Division No. 206	St. Paul's Roman Catholic Separate School Division No. 20

2.2 Project Goals

SaskBuilds and the Ministry have indicated that the goals of the Joint-Use Schools Projects ("JUSP") include the following:

- School Division and stakeholder engagement;
- Schools that place educational outcomes, safety and health as priorities;
- Schools that benefit their communities;
- Schools that promote healthy lifestyles;
- Functioning and sustainable schools that meet School Division expectations;
- Efficient delivery of the Schools; and,
- Maintain a collaborative spirit.

2.3 Key Innovations

According to SaskBuilds, numerous meetings, workshops and Lean events were conducted early in the design review process, which informed the design requirements for the 18 schools. Design changes unique to the needs of the individual schools and communities were incorporated as a result of the ongoing collaborative feedback process with front-line educators, curriculum experts, facility representatives and students from the five School Divisions. It is understood that this collaborative process resulted in the development of quality metrics which were used to inform the design progression. These metrics included but were not limited to:

- Flexible layout and a variety of types of learning spaces ranging in size and configuration;
- Smaller learning communities of similar age group students that allow for project based learning and teacher collaboration;
- Daylighting in all learning areas; and
- Support of 21st century learning.

SaskBuilds and the Ministry have indicated that Joint-Use Mutual Partnership designs provide a model that meets the above quality metrics and supports the evolution of educational delivery over time. The Ministry has identified the following as examples of design innovations:

- Multipurpose spaces that are central to the Facility, and maximize flexibility of programming for each School as well as the community core. Large open spaces, such as the learning commons, library and student commons that are distributed throughout the facility and provide a variety of learning environments and smaller breakout spaces.
- Learning communities that open up fully to support team teaching for grade groupings and function as a school within a school.
- Overhead and sliding doors that provide large opening connections between classrooms and breakout spaces and add to the variety of learning environments. Operable walls that connect the multipurpose physical activity space to the gymnasiums creating the opportunity for one large event or three separate functions to occur simultaneously.
- Natural daylight and views through the building and to outside that contribute to reducing the institutional feel of the facilities.
- Clerestory glazing and solar tubes which are provided in all of the gymnasiums.

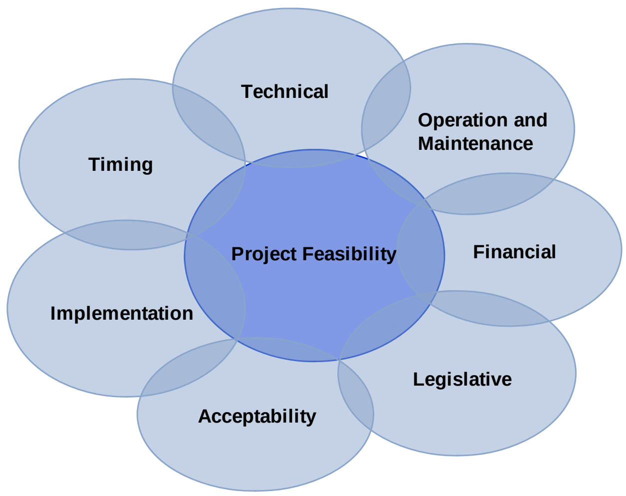
- Two story curtain wall glazing in the library and student commons that provides natural light and views deep into the heart of the School.
- Access to daylight throughout all areas of the Schools that contributes to lower energy costs overall.
- Visual displays that are located throughout the school and provide real time data on the sustainability and energy use within the facility, and can be integrated into curriculum.

3 Project Delivery Options

3.1 Methodology

During the pre-procurement phase of the project, a P3 screening assessment was conducted to assess the feasibility of procuring the project through an alternative delivery model. The project was assessed against a set of criteria that at the time of the business case development were consistent with the federal P3 screening tool developed by PPP Canada. The criteria fall into seven general areas as demonstrated in the following graphic:

Figure 3-1: P3 Screening Criteria



Based on the results of the P3 screening assessment and a review of precedent school projects in the P3 market, the Project appeared to be viable as a Design-Build-Finance-Maintain ("DBFM") from a qualitative standpoint. The design, construction and some maintenance elements had potential to be transferred to the private sector and the capital cost of the project was deemed to be large enough to draw interest from financiers.

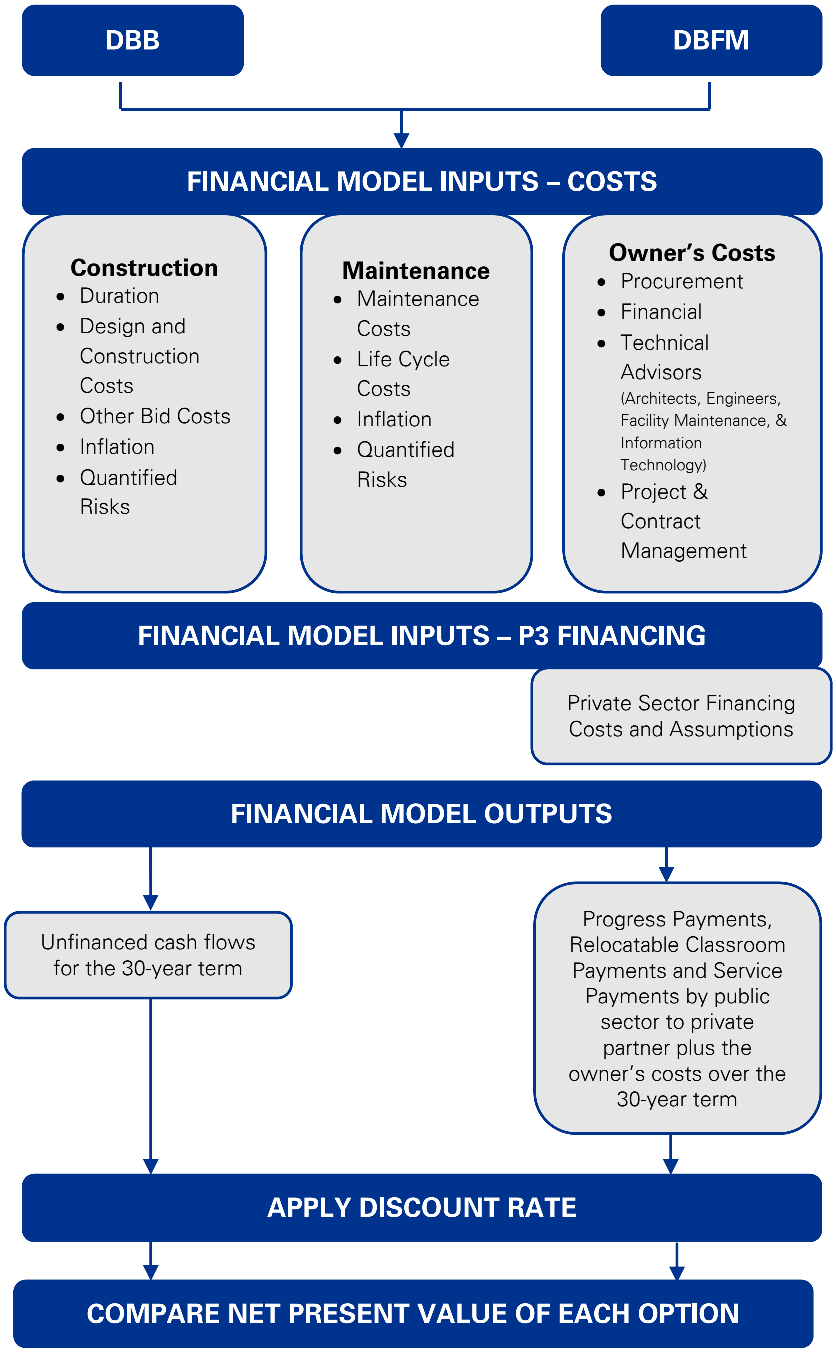
As indicated, a DBFM model was selected as the most appropriate P3 model for the project and was compared against the traditional delivery method from a quantitative perspective. To select the best procurement approach for the project, SaskBuilds completed a detailed VFM analysis to determine which approach delivered the greatest value to the Government.

The VFM analysis compared the risk-adjusted costs of the two procurement options: traditional Design-Bid-Build ("DBB") and P3 (DBFM). The purpose of the VFM assessment was to identify the procurement option that would provide the greatest value through the design, construction, and maintenance phases of the project. A financial model was developed in order to determine which approach generated the greatest VFM.

The VFM assessment included a comprehensive risk analysis to identify and quantify the risks retained by the public sector under each procurement option. Other costs were also incorporated including design costs, construction costs, routine maintenance costs, major maintenance costs (renewal and rehabilitation and replacement of building components) and transaction costs (legal, financial, fairness, technical advisors, project management, and contract management fees). For more details on the VFM analysis and methodology, refer to Chapter 6.

Figure 3-2 illustrates the financial modeling approach used to compare the two procurement models.

Figure 3-2: Procurement Model Comparison



3.2 Procurement Options

In its procurement options analysis, SaskBuilds compared the DBB approach to the DBFM approach. The two options are described in the following sections.

3.2.1 Design-Bid-Build Model

DBB is the most common procurement model used by the public sector to design and build infrastructure. Using this model, the Ministry would hire private sector architects and consultants to design the Schools. The Ministry would issue a tender for the construction and a construction contractor would construct the Schools based on the architect's specifications. During the construction period, the Ministry would make monthly progress payments to the contractor based on the percentage of construction completion.

Since the design would be procured separately from the construction components, the Ministry and School Divisions would retain the risk for any errors or omissions in the design. In addition, the Ministry would retain key construction risks related to schedule and costs. Delays in construction or unexpected cost increases would be the responsibility of the Ministry, not the contractor. Further, the contractor would only be tasked with building the Schools and would not be involved with the Schools post-construction. In this case, the Ministry via the School Divisions would own the Schools and would be responsible for operating the Schools, including performing the maintenance and major rehabilitation over the life of the assets.

3.2.2 Design-Build-Finance-Maintain Model

DBFM is a P3 procurement model in which a private partner, comprising a group of companies (architect, construction contractor, maintenance provider, and lender/equity provider) would be hired to design, construct, finance and maintain a facility as part of a long-term contract. The term of the Project Agreement includes both the construction period and the longer maintenance term. This approach typically involves a two-stage competitive selection process (e.g., RFQ and RFP).

In contrast with the DBB model, the DBFM model uses financial incentives to facilitate on-time and on-budget project delivery, as well as to ensure quality maintenance and rehabilitation services. The risks for changes to design, construction cost and schedule, maintenance and rehabilitation costs would be transferred to the private partner ("Project Co").

During construction, the Ministry would retain financial leverage over Project Co's performance since the release of Progress Payments and/or Completion Payments are contingent upon specific construction completion requirements set out in the Project Agreement. This type of performance oversight works to incent Project Co to complete the Schools on time and according to the requirements of the Project Agreement. During the maintenance term, the Ministry would retain financial leverage over Project Co's performance since the Service Payments are performance based and deductions would be made where Project Co breaches its maintenance and life cycle obligations in the Project Agreement.

In the DBFM model, there is potential for additional innovations having one team design, build and maintain the facility. This is because the nature of the long-term relationship creates an added incentive to use high-quality materials and make efficient design choices to improve cost effectiveness during the maintenance term. The integration of design and construction phases also translates into a more time-efficient project schedule, since these two activities occur simultaneously.

The 30-year commitment by Project Co to maintain the Schools means that Project Co has a vested interest to deliver the best quality asset up-front. This commitment drives innovation in the Schools' design, which can deliver cost-savings to the Ministry, School Divisions and Project Co over the maintenance term through reduced maintenance and life cycle costs.

Under the DBFM model, the private sector partner is required to finance a portion of the construction costs through a combination of debt and equity. The repayment of this financing is achieved through payments from the public sector. These payments are contingent upon performance obligations and meeting contractual requirements. The risk of Project Co not achieving the required rate of return drives efficiencies and responsiveness and helps ensure projects are on-time and on-budget.

The Ministry via the School Divisions continue to own the Schools and the School Divisions operate each School as it would under the DBB model. At the end of the Project Agreement term, the condition of each School must meet required Handback Requirements prescribed in the Project Agreement.

3.3 Procurement Options Analysis Result

The VFM assessments performed at the feasibility stage for the projects determined that the DBFM approach provided greater VFM compared to the traditional DBB approach. Based on this assessment, SaskBuilds determined that DBFM was the most appropriate procurement delivery option for the projects.

Refer to the VFM assessments in Chapter 6 for more detail.

4 Competitive Selection Process

4.1 Project Timeline

SaskBuilds' detailed assessment of the project's suitability for the P3 model began in January 2014 and concluded with a recommendation to proceed to procurement in July 2014. In this time, SaskBuilds and its external advisors undertook a detailed due diligence process that included both qualitative and quantitative assessments to determine whether the project could reasonably be delivered as a P3. As indicated previously, the initial VFM assessment demonstrated that the JUSP had the potential to deliver VFM as a P3. As the procurement process progressed, the VFM analysis was refreshed at various stages to confirm that the project continued to show positive VFM. Table 4-1 provides an overview of the distinct procurement phases and key dates for the JUSP.

Table 4-1: Project Timeline

Action	Timeline
Due diligence period	January – July 2014
Request for Qualifications (RFQ) period	July – September 2014
RFQ evaluation period	September – October 2014
Request for Proposals (RFP) period (shortlist announced October 2014)	October 2014 – April 2015
Business-to-business networking and information session	November 13 & 14, 2014
RFP evaluation period	April – June 2015
Selection of Joint-Use Mutual Partnership as private partner for Project 1 and Project 2 (Preferred Proponent)	June 15, 2015
Project Agreement signing (Financial Close)	August 17, 2015
Construction period	2 years
Project Agreement period (not including construction)	30 years

4.2 Due Diligence Period

Prior to the commencement of the procurement process, a business case assessing suitability for the P3 approach was completed to inform government's decision making process. As indicated previously, the business case determined that the project had the potential to deliver value for money if it were to be procured as a P3. In June 2014, the project was recommended to be procured as a P3 and approved by the Government, with the RFQ being issued on July 31, 2014.

4.3 Procurement Process

SaskBuilds used a procurement process that is common in the Canadian P3 market involving a two-staged approach comprised of the initial RFQ document and followed by the issuance of a RFP to shortlisted parties. A well-structured procurement process is important in helping to generate value for money for the Government. As such, the key procurement objectives for the project included ensuring that the procurement process was competitive, fair and transparent, and encouraged innovation.

4.3.1 Request for Qualifications

The RFQ was the first of two stages of procurement. The purpose of the RFQ was to market the project to a wide audience to encourage participation and competition, present an overview of the proposed scope and structure of the opportunity to interested parties and evaluate the technical and financial capabilities of respondents. All responses were evaluated against a set of pre-established evaluation criteria and guidelines in an effort to shortlist the most qualified teams for the RFP stage. Shortlisting is used to allow each Proponent a reasonable chance of success in the procurement while ensuring there is sufficient competition to generate the best value for the Government.

Three teams submitted responses during the RFQ phase. The RFQ Evaluation Committee, which included representatives from SaskBuilds, the Ministry of Education, and external advisors, selected the three teams in Table 4-2 to advance to the next phase.

Table 4-2: Shortlisted Proponent Teams (Both Projects)

Proponent Team	Design	Construction	Financing (Equity/Debt)	Maintenance
Joint Use Mutual Partnership	GEC Architecture; Kindrachuk Agrey Architecture	Bird Design-Build Construction Inc.; Wright Construction Western Inc.	Concert Infrastructure Ltd.; Bird Capital Limited Partnerships; Scotiabank	Johnson Controls Canada LP
Plenary Education	Stantec Architecture	PCL Construction Management Ltd.	Plenary Group (Canada) Ltd.; PCL Construction Management Inc.; TD Securities; RBC Capital Markets	Honeywell Limited Canada
Tandem Education Partners	BR2 Architecture; aodbt architecture + interior design; P3 Architecture Partnership	Graham Design Builders Inc.; Westridge Construction	Gracorp Capital Advisors Ltd.; Balfour Beatty Investments, LP; Alberta Treasury Branches; National Bank Financial Inc.; Desjardins Securities Inc.	Balfour Beatty Communities, LP; GDI Technical Services LP

4.3.2 Request for Proposals

The RFP was the second and final stage of procurement. The purpose of the RFP stage was to provide Proponents with an opportunity to demonstrate their understanding of the project, as well as identify their respective roles and responsibilities. During the RFP open period, Proponents were invited to review and comment on drafts of the Project Agreements that would ultimately be finalized prior to the submission of RFP responses and signed by the Preferred Proponent at commercial close. As part of this process, SaskBuilds held a series of commercially confidential meetings with each of the shortlisted Proponents ("Collaborative Meetings"). At the collaborative meetings, Proponents were given an opportunity to discuss their preliminary designs for the project with SaskBuilds, the Ministry and its technical advisor, as well as specific commercial items related to the Project Agreements, including risk allocation, financial matters and other technical matters.

RFP submissions were divided into two stages. The technical submission covered all works associated with the design, construction, maintenance and renewal of the facilities; as described in the RFP and draft Project Agreements, while the financial submissions identified the net present value of the Proponents' offer and provided details on how the financing plan would be executed, including sources and uses of funds, mitigation strategies and other supporting documentation (e.g., term sheets, equity support letters, etc.).

The proposals were evaluated by the respective RFP evaluation teams, which included representatives from SaskBuilds, the Ministry, the School Divisions, and external advisors. Joint-Use Mutual Partnership was selected as the Preferred Proponent based on criteria that considered the amount of the bid, as well as the total qualitative value generated for taxpayers through innovations in design, construction and maintenance.

4.4 Fairness Advisor

A fairness advisor, Miller Thomson LLP, was engaged to monitor the competitive selection process and offer an assessment of the procurement procedures and an opinion on whether or not the competitive selection process was carried out in a fair and reasonable manner. The Fairness Advisor was provided access to all documents, meetings, and information related to the evaluation processes throughout the RFQ and RFP stages. The Fairness Advisor issued reports for both the RFQ and the RFP stages of the competitive selection process. In these reports, the Fairness Advisor concluded that the RFP procurement processes for Project 1 and Project 2 were conducted in a fair manner in accordance with the procedures established for the RFP stage. The Fairness Advisor confirmed that the members of the Evaluation Teams and Committees (and their advisors) for Project 1 and Project 2 followed evaluation procedures and fairly applied the evaluation criteria. The members of the Evaluation Teams and Committees exercised reasonable judgment and made interpretations in a fair and impartial manner. The final Fairness Advisor’s reports are located in Appendix B and Appendix C. The full reports for the RFQ and RFP are available at http://www.saskbuilds.ca.

5 Project Agreement Overview

Table 5-1: Quick Facts

QUICK FACTS	
Project 1	
Private Partner (Project Co)	Joint Use Mutual Partnership #1
Project Owner	Ministry of Education (via School Divisions)
Construction Completion	June 2017
Term of the Project Agreement	2 years construction; 30 years maintenance
Net Present Value	$202 million
Value for Money	$31 million (13.26%) savings
Project 2	
Private Partner (Project Co)	Joint Use Mutual Partnership #2
Project Owner	Ministry of Education (via School Divisions)
Construction Completion	June 2017
Term of the Project Agreement	2 years construction; 30 years maintenance
Net Present Value	$433 million
Value for Money	$69 million (13.82%) savings

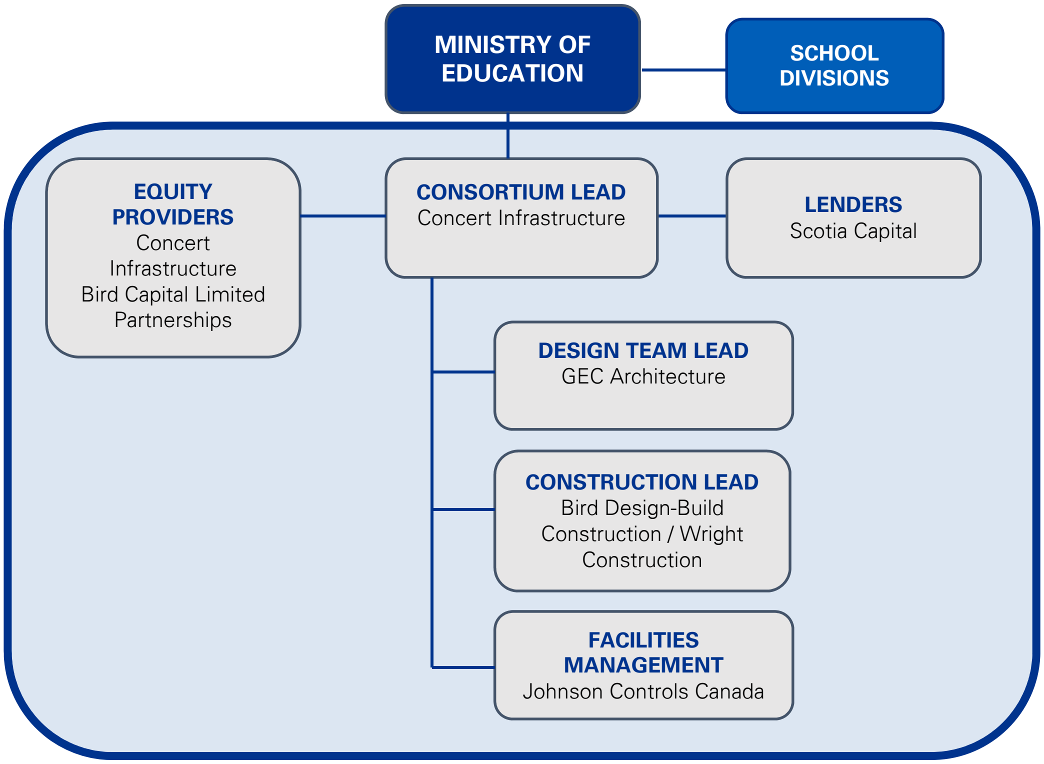
5.1 Profile of the Private Sector Partner

Joint-Use Mutual Partnership #1 is the private partner and project company for Project 1 and Joint-Use Mutual Partnership #2 is the private partner and project company for Project 2. Both Joint-Use Mutual Partnership #1 and Joint-Use Mutual Partnership #2 are comprised of a consortium of companies consisting of the following key members:

- **Consortium Lead**: *Concert Infrastructure Ltd.* will serve as the consortium lead and will oversee all aspects of the JUSP, including: financing, planning, design, construction, partial maintenance, and performance monitoring for the Project Agreement term.
- **Equity Providers**: *Concert Infrastructure Ltd.* and *Bird Capital Limited Partnerships* will provide 80% and 20%, respectively, of the equity in Project 1 and Project 2.
- **Lender**: *Scotia Capital Inc.* will provide 100% of the senior debt capital for the JUSP.
- **Design**: *GEC Architecture* and *Kindrachuk Agrey Architecture* will be responsible for the design of the Schools.
- **Construction**: *Bird Design-Build Construction Inc.* and *Wright Construction Western Inc.* have formed a joint venture arrangement, the Bird-Wright Schools Joint Venture, which will have responsibility for the project's design-build requirements, and where necessary, subcontractors will perform some of the design-build activities.
- **Facility Maintenance Services**: *Johnson Controls Canada Limited Partnership* will have primary responsibility for the maintenance and life cycle deliverables.

An illustration of the reporting relationships is provided below in Figure 5-1.

Figure 5-1: Relationships between Ministry of Education, School Divisions and Joint-Use Mutual Partnership



5.2 Key Terms of the Project Agreements

The Project Agreements between the Ministry and Joint-Use Mutual Partnership includes a two-year construction period and a 30-year maintenance period. A summary of the responsibilities under the terms of the Project Agreement is provided below.

5.2.1 Independent Certifier Responsibilities

- An independent third party selected through a competitive tendering process and jointly funded by the Ministry (50%) and Project Co (50%) to provide independent oversight and monitoring of construction progress and quality.
- At Substantial Completion, the Independent Certifier issues a certificate for completion once Project Co has met the design and construction requirements set out in the Project Agreement.

5.2.2 Joint-Use Mutual Partnership Responsibilities:

- Finance the design and construction costs over the Project Agreement terms.
- Complete the design and construction of the Schools by June 2017.
- Provide facility maintenance and life cycle services as specified in the Project Agreements over the 30-year maintenance period.
- Develop and implement a renewal plan to ensure building systems meet the performance requirements.

- Meet the detailed Handback Requirements, as specified by the Project Agreements, at the end of the Agreement terms in 2047 when Joint-Use Mutual Partnership transfers the maintenance of the Schools back to the Ministry.

5.2.3 Ministry of Education (and School Division) Responsibilities

- Ministry to delegate some Project Agreements responsibilities to the School Divisions through Accountability Agreements.
- School Divisions continue to own the Schools throughout the Project Agreement terms.
- Make Progress Payments, Relocatable Classroom Payments and Service Payments in a timely manner and take deductions from the aforementioned payments (if required) as described in the Project Agreements.
- Monitor the performance of Joint-Use Mutual Partnership throughout the Project Agreement terms, including design and construction period and maintenance term.
- Remain publicly accountable for the delivery of educational services and child care services provided at each School.
- School Divisions will provide cleaning services, decoration and maintenance for all Authority Maintained Elements including the School Board supplied furniture and equipment, and provide occupant support for third-party or community school use, as well as, support for educational activities (e.g. extra-curricular) and educational support activities (e.g. parent-teacher interviews, staff meetings, curriculum development activities, etc.).

5.3 Quality and Performance Monitoring

A key element of P3 contracts is the quality and performance monitoring of Project Co throughout the contract term. The Project Agreements establish a number of mechanisms to monitor Joint-Use Mutual Partnership's performance during the Project Agreement terms and will help to ensure that the Ministry and School Divisions are receiving value throughout the 32 year contracts. These quality and performance monitoring mechanisms have been highlighted below.

5.3.1 Design and Construction Period

- During design and construction the Independent Certifier, jointly appointed and funded by Joint-Use Mutual Partnership (50%) and the Ministry (50%), is responsible for reviewing and monitoring design and construction progress and quality, as well as reviewing invoices and costs of proposed design changes.
- Each project will have a Construction Period Joint Committee to oversee the design and construction of the Schools. The committee, comprising of the Ministry, School Divisions, Joint-Use Mutual Partnership and SaskBuilds, will meet monthly to discuss matters relating to the Schools and to review the reports prepared by the Independent Certifier.
- Progress Payments made during the design and construction period are contingent upon Joint-Use Mutual Partnership's completion progress. This progress is verified by the Independent Certifier.

5.3.2 Maintenance and Rehabilitation Period

- Each project will have an Operating Period Joint Committee to provide oversight and direction on matters related to the maintenance and rehabilitation period, including School maintenance and life cycle renewal. The Operating Period Joint Committee meets monthly throughout the Project Agreement term and includes representatives from the Ministry, School Divisions, Joint-Use Mutual Partnership, and SaskBuilds.
  (Note: SaskBuilds will be involved in monthly meetings for approximately one-year following

Substantial Completion. SaskBuilds will then transition to an oversight role, receiving annual updates from the Committee)

- The Committee reviews and monitors Joint-Use Mutual Partnership's performance throughout the Project Agreements' 30-year term.
- Payment deductions will be applied where performance does not meet contractual specifications and requirements.
- The Ministry via its School Division partners will perform inspections and testing to check reports and ensure the requirements continue to be met.
- Joint-Use Mutual Partnership's lenders will also review performance during the maintenance period.

5.3.3 Performance-Based Payment

Payments are performance-based, which means they can be reduced in the event Joint-Use Mutual Partnership does not meet the performance standards of the Project Agreements. This provides a level of protection for taxpayers who will not pay for services that are not provided and incentivizes Joint-Use Mutual Partnership to meet the performance standards and requirements. For example, if the heating or cooling systems are not working leading to temperatures that are outside of the acceptable range and are not repaired within the prescribed timeframe, the monthly Service Payment would be reduced according to the Project Agreements.

5.3.4 Project Agreement Completion

- Joint-Use Mutual Partnership is required to meet very specific and detailed Handback Requirements at the end of the Project Agreement terms. The purpose of these requirements is to ensure that each School has been well-maintained over the 30-year operating period.
- Starting three years prior to expiry of the Project Agreement terms, the Ministry (via the School Divisions) and Joint-Use Mutual Partnership will assess each School to ensure that each School is in the condition specified in the Project Agreement Handback Requirements. Financial penalties will be applied if the facility is not handed over in the specified condition.
- After the Project Agreements expire, the School Divisions will assume responsibility for maintaining and renewing the Schools.

5.4 Adjustment to Payments

The Project Agreements allows for adjustments to the Service Payments to reflect specific circumstances related to the following:

- *Change in Law*: if there is a discriminatory change in law, the monthly Service Payment may be adjusted to leave Joint-Use Mutual Partnership in no better or worse position than if that change in law had not occurred.
- *Deductions*: the Service Payment in a given month may be reduced if Joint-Use Mutual Partnership does not meet the performance requirements outlined in the Project Agreements. Deductions will vary depending on the incidents' severity and duration and will be applied on a monthly basis.
- *Indexation*: the services component of the Project Agreements are indexed by the Canadian consumer price index with periodic adjustments to the payment through benchmarking.

5.5 Risk Allocation Summary

An important advantage of a P3 is the opportunity to appropriately allocate risks to the party or parties best able to manage them. In some cases, Joint-Use Mutual Partnership is the appropriate party to manage a risk, whereas in others it may be the Ministry and/or School Divisions, or a shared risk between the parties. The Project Agreements include detailed risk allocation provisions over the construction period and 30-year maintenance terms. This approach transfers key risks to Joint-Use Mutual Partnership, such as construction cost and schedule, and adds value through design and private sector innovation. Table 5-2 summarizes the key risk allocation between the Ministry and/or School Divisions and Joint-Use Mutual Partnership.

RISK	Retained by Ministry of Education	Transferred to Joint-Use Mutual Partnership	Shared
Project Financing			
Financing after Project Agreement execution		✓	
Site Conditions/Environmental			
Geotechnical		✓	
Existing site conditions	✓		
Design and Construction			
Permits		✓	
Design		✓	
Construction		✓	
Commissioning		✓	
Schedule		✓	
LEED Silver Certification		✓	
Utility volume		✓	
Owner requested scope changes	✓		
Utility unit costs	✓		
Cost of equipment			✓
Force Majeure			✓
Change in Law			✓
Maintenance & Life Cycle			
Life Cycle		✓	
Maintenance		✓	
Ownership	✓		
Program delivery	✓		
Authority's maintenance staff – labour costs	✓		
Project Co's maintenance staff – labour costs		✓	
Force Majeure			✓
Change in Law			✓

Table 5-2: Summary of Risk Allocation for DBFM

6 Value for Money Assessment

The VFM assessment compares the Net Present Value ("NPV") of the estimated risk-adjusted cost of the project delivered under the P3 procurement model (DBFM) relative to the traditional DBB procurement model. If the risk-adjusted cost of delivering the project through a P3 model is less than the risk-adjusted cost of delivering the project through a traditional delivery model, then the P3 approach is considered to deliver VFM. To arrive at risk adjusted costs, it is standard practice to develop a risk matrix and to quantify risks through a risk workshop (this process is described in Section 6.2).

As indicated previously, the initial VFM assessment for the project was undertaken during the due diligence phase of the project to assess the viability of the project as a P3. That analysis showed positive VFM and was a key factor in the project proceeding as a P3. The VFM analysis has been refreshed at key milestones throughout the procurement process to ensure that the project is still estimated to deliver VFM through a P3 delivery.

The VFM analysis presented in this chapter is representative of the final VFM analysis that was completed following Financial Close for Project 1 and Project 2. It compares the final risk-adjusted cost estimate under the traditional delivery model to the actual costs outlined in Joint-Use Mutual Partnership's financial model. The following sections provide details on the project costs and the results of the final VFM analysis.

6.1 Project Costs

The project costs used in the VFM assessment include estimates from the Authority's cost consultant and actual cost values from Joint-Use Mutual Partnership's financial model.

For Project 1, the total estimated NPV over the term of the 32-year Project Agreement (2 years design and construction period and 30-year maintenance term) is $202.3 million. For Project 2, the total estimated NPV over the term of the 32-year Project Agreement is $432.9 million.

Under the P3 model, the costs incurred by the Ministry are based on Joint-Use Mutual Partnership's financial offer. There are three streams of payments that the Ministry will make over the term of the contract. These payments are summarized below:

- ***Progress Payments*** **–** During the design and construction period, the Ministry will make Progress Payments to Joint-Use Mutual Partnership totalling 40% of the project's capital costs. These payments will be made on a monthly basis and will be based on the percentage of construction completion. Progress Payments will commence once 30% of the construction has been completed (as determined by the Independent Certifier).
- ***Service Payments*** **–** Once the Schools achieve School Service Commencement, the Ministry will make monthly Service Payments. These payments are intended to cover the remaining capital costs, financing costs, maintenance costs and life cycle costs.
- ***Relocatable Classroom Payments*** **–** On or before School Service Commencement, Project Co is also required to supply, deliver, and install Relocatable Classrooms for some of the Schools. The Ministry will pay Joint-Use Mutual Partnership the Relocatable Classroom Payment on the date the Relocatable Classrooms are delivered and installed.

Other costs that are captured as part of the VFM analysis are the procurement, implementation and owner costs that would be incurred by the Ministry and School Divisions under both delivery models. These assumptions related to additional costs to the public sector that would likely be incurred in the delivery of the Project, but were not direct project costs. These costs included additional advisor fees, commissioning costs and other project management costs.

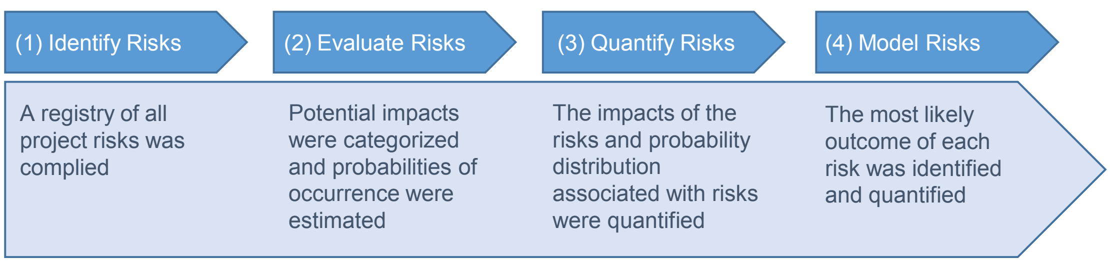
6.1.1 Accounting Treatment

According to SaskBuilds, the P3 capital asset and the amount owing for the liability of the private financing will be recorded over the construction period as a percentage of completion as the asset is constructed. The accounting value for the asset is the total of the provincial capital contributions paid during or on completion of construction (in nominal dollars at the point of payment) and the present value of repayments over time to repay the remaining capital and private financing. These repayments will be discounted at the Province's long-term borrowing rate at the date of signing of the Project Agreements to the date the P3 capital asset is scheduled to be available for use. The accounting treatment used for the projects aligns with Canadian public sector accounting standards.

6.2 Risk Quantification Process

A key component of VFM analysis is the quantification of project risks. An overview of the risk assessment process applied to this project is outlined in Figure 6-1.

Figure 6-1: Risk Assessment Process



Step 1 described in the above figure was undertaken during the project feasibility stage and involved identifying and compiling a complete list of project risks. These risks were discussed during a risk workshop that was held with members of SaskBuilds, the Ministry, the School Divisions and their advisors. Risk workshop participants were encouraged to identify any other risks not already included in the initial registry.

Steps 2 and 3 involved evaluating and quantifying the impact of the risks for the P3 DBFM and traditional DBB model. In particular, a consensus estimate of the following inputs was developed during the risk workshop:

- *Cost Base* – this refers to the cost portion of the project that the risk will affect.
- *Probability* – the overall probability that the risk would occur (between 0% and 100%);
- *Most likely outcome* – the most likely cost impact if the risk were to occur;
- *Low Case* – the estimated 'low case' cost impact that would occur for 1 in 20 events (i.e. 5th percentile); and
- *High Case* – the estimated 'high case' cost impact that would occur for 1 in 20 events (i.e. 95th percentile).

Risks were then quantified using the following formula:

Risk Cost = Cost Base * Probability of Risk Occurring * Impact of Risk

Step 4 of the risk methodology was completed following the risk workshop. As part of this step, the inputs established in steps 2 and 3 were used to develop probability curves. The risk modeling software @Risk was used by KPMG for this purpose. @Risk was used to conduct a Monte Carlo analysis of potential risk outcomes. The Monte Carlo simulation used the low, most likely and high cost impacts estimated in the risk workshop in a probability distribution (in this case a triangular distribution) to calculate the cost impact of each risk. The probability distribution allows for estimated total risks to be calculated at different confidence levels. For example, at 95th percentile, the estimated risk value will be exceeded only 1 out of 20 times. At 50th percentile (expected value), the estimated risk value will be exceeded 1 out of 2 times. Risk averse organizations will typically use a higher confidence level compared to less risk averse organizations. For the main results in this VFM assessment, the risk quantification results associated with the expected values were used.

The risk quantification process was reviewed and updated several times throughout the project at key stages to ensure that the risks identified and the allocation of the risks reflected the final version of the Project Agreements.

6.3 Quantitative Measures of Value

For both the traditional DBB model and the P3 DBFM model the total risk-adjusted project costs were discounted back to January 1, 2015 using a discount rate equal to the Province's long-term borrowing rate at the time of the analysis. It included the costs to design, build, finance and maintain the Schools for the 32-year term (two year design and construction period and 30 year maintenance term). It also included the estimated public sector costs and the quantified risk values. The assessment excluded costs common to both methods, such as land costs, furniture, and equipment.

The NPV of the total risk-adjusted cost of Project 1 delivered using the DBFM was $202 million, compared to $233 million for delivery through a DBB approach. For Project 2, the NPV of the total Project cost using a DBFM was $433 million, compared to $502 million for delivery through a DBB approach.

A comparison of these numbers is provided in Table 6-1 (Project 1) and Table 6-2 (Project 2) respectively. The final Project Agreement for Project 1 is estimated to achieve value for taxpayer's dollars of $30.9 million or a 13.26% savings using the DBFM procurement model. For Project 2, the delivery of the project using a DBFM model is estimated to achieve approximately $69.4 million in savings or 13.82% of value for taxpayer's dollars when compared to the traditional approach. The combined construction costs, including interest costs during construction, of the two projects on an NPV basis using the P3 model is equal to $373.5 million. When compared to the estimated construction costs under the traditional model, this represents savings of approximately $34.5 million.

Table 6-1: Project 1 Value for Money Assessment

NET PRESENT VALUE ($ millions)	DBB OPTION	FINAL PROJECT COST (DBFM)
Payments to the Private Sector Partner	-	$186.0
Construction costs	$134.9	-
Maintenance Period Costs	$34.1	-
Rehabilitation Costs	$13.0	-
Sub-total	*$182.0*	*$186.0*
Retained Risks	$46.2	$9.2
Procurement, Implementation and Other Owner Costs	$5.0	$7.1
Total	**$233.2**	**$202.3**
Cost Differential	**$30.9**	
Percentage Savings	**13.26%**	

Figure 6-2: Project 1 Value for Money Cost Comparison

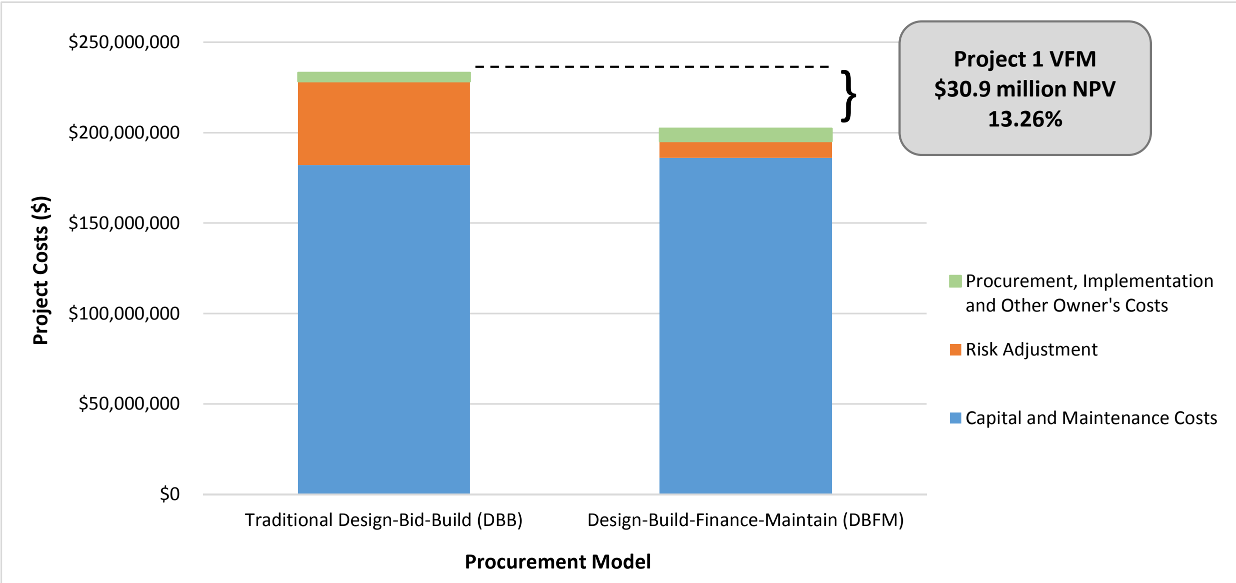
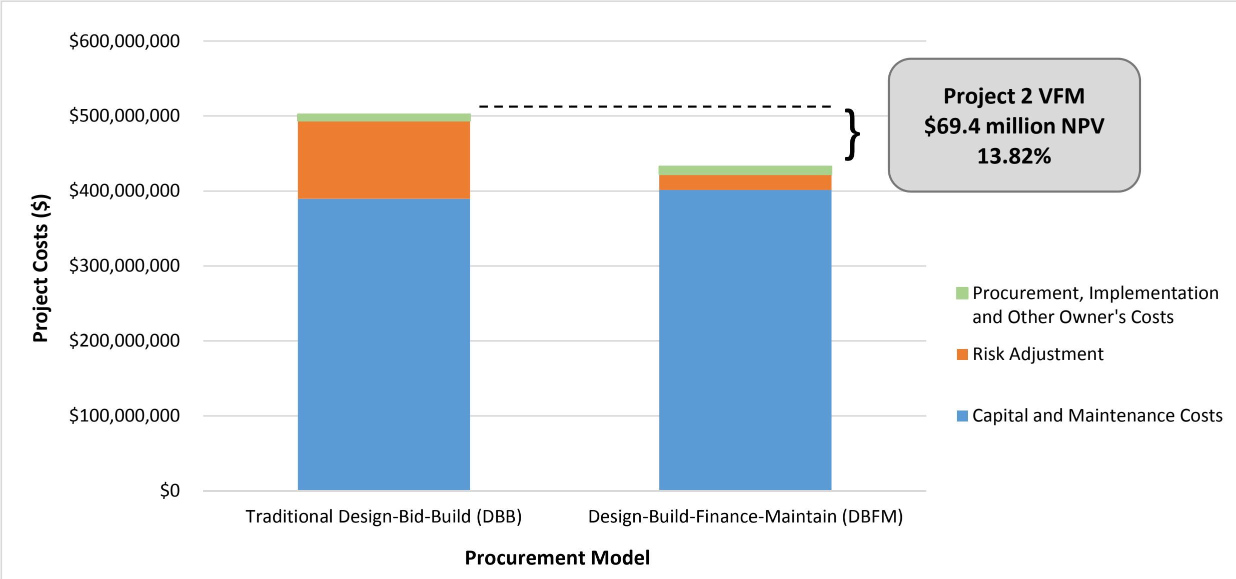


Table 6-2: Project 2 Value for Money Assessment

NET PRESENT VALUE ($ millions)	DBB OPTION	FINAL PROJECT COST (DBFM)
Payments to the Private Sector Partner	-	$401.2
Construction costs	$298.6	-
Maintenance Period Costs	$58.7	-
Rehabilitation Costs	$32.2	-
Sub-total	*$389.5*	*$401.2*
Retained Risks	$104.2	$20.8
Procurement, Implementation and Other Owner Costs	$8.6	$10.9
Total	**$502.3**	**$432.9**
Cost Differential	**$69.4**	
Percentage Savings	**13.82%**	

Figure 6-3: Project 2 Value for Money Cost Comparison



A number of factors contribute to the VFM generated through the DBFM model, including competitive construction pricing, scheduling, integrating maintenance and lifecycle efficiencies into the design and construction of the Schools and the efficient allocation of project risks. Key risks retained under the DBB procurement option included design and coordination issues, construction cost overrun, construction delay, owner required scope changes, future need for additional relocatable classrooms, and future asset condition. Key risks retained under the DBFM procurement option included owner required scope changes and future need for additional relocatable classrooms. The analysis for both projects used an inflation assumption of 2.0%. The NPV of the costs were calculated using a discount rate of 3.05%, which represents the Province's long-term borrowing rate at Financial Close.

6.4 Qualitative Measures of Value

In addition to the quantitative benefits identified in Section6.3, SaskBuilds, the Ministry and the School Divisions have also identified qualitative benefits related to the DBFM delivery of the projects. These qualitative factors include:

- *30-year Maintenance and Renewal Period*: This period gives the Ministry and the School Divisions assurance that the facility will be maintained in the condition specified by the Project Agreement for 30 years. The P3 Project Agreement transfers facility maintenance (e.g. roof repair, HVAC systems, windows, etc.) from the School Divisions to Joint-Use Mutual Partnership for the term of the Project Agreement. This risk transfer effectively provides a 30-year warranty for the facility, with the expectation of no deferred maintenance at the end of the Project Agreement.
- *Better Workforce Management*: The upfront planning period associated with a P3 allows Joint-Use Mutual Partnership time to effectively coordinate and secure the supply of labour, equipment, and materials. Further, under a P3, Joint-Use Mutual Partnership functions as one continuous, single contractor to manage the design, construction, and maintenance phases. A DBB does not offer this single point of accountability and project management.

Appendix A: Glossary of Terms

This appendix provides a glossary of key terms and acronyms used throughout the report.

Authority Maintained Elements: Refers to the components of the projects that the School Divisions are responsible for maintaining in each School. This includes painted wall finishes and decorations within individual classrooms and other rooms in the interior areas of the Schools.

Capital & Maintenance Period Costs (Base Costs):

> *DBB Model (traditional)* – The estimated costs to the Authority for procuring the design and construction of the project using a traditional DBB method and maintaining the project for a period of 30 years.
>
> *DBFM Model* – The estimated costs for designing, constructing and maintaining the project for a 30-year term.

Design-Bid-Build (DBB): The traditional procurement approach where government hires an architect to design a facility, and then hires a construction contractor to build it. Once the facility is built, the public sector operates it and maintains it. The government pays for the construction of the facility by making progress payments or by making capital grants to entities such as School Divisions. Provincial grant funding is also used to operate and maintain the facility.

Design-Build-Finance-Maintain (DBFM): A P3 procurement method where a private partner is contracted to design, construct, finance and maintain a capital asset for a defined period of time. The government makes payments to the private partner throughout the defined Project Agreement term. The government continues to own the asset.

Discount Rate: The rate used to equalize varying cash flows under different procurement methods so that like-for-like cost comparisons can be made. The rate, expressed as a percentage, reduces the value of future dollars in relation to present dollars. The Discount Rate used for this project represents the Provincial Government's long-term borrowing rate and was used to calculate the total cost of the project over its contractual life, in NPV terms.

Early Works: Refers to the design and construction work that occurs prior to Financial Close. The risk for Early Works is borne by Project Co.

Fairness Advisor: A consultant independent from the government (Ministry of Education, the School Divisions and its advisors) and the bidding teams, who provides monitoring and oversight of the competitive selection process (RFQ and RFP) to ensure the process is fair and open to all parties.

Financial Close: The point in the procurement process where negotiations with the Preferred Proponent are finalized and a Project Agreement is executed allowing construction to begin.

Handback Requirements: Refers to the specific requirements, as prescribed by the Project Agreement, for the physical condition(s) the Schools must be delivered in to the Ministry of Education by Project Co on the Project Agreement expiry date.

Independent Certifier: Independent, third party certifier engaged jointly by the owner (50%) and the private partner (50%) to verify and certify whether certain conditions of the Project Agreement are met.

Life Cycle: The long-term requirements to maintain and rehabilitate an asset.

Net Present Value (NPV): The current value of a future sum of money. To assess long-term projects, NPV is commonly used to compare the value of money over time, adjusting for interest rate changes and inflation. NPV is produced by applying a Discount Rate to a future stream of cash flows. The amount and timing of cash flows differ in the two options (traditional and P3) for designing and constructing the School and the calculation of NPV accounts for those differences.

Preferred Proponent: A proponent selected from a shortlist of bidders to enter into negotiations with a project owner to reach Financial Close and deliver a project.

Project Agreement: A legally binding document that sets out the requirements for the delivery of an asset under a P3 in terms of cost, schedule and life cycle performance that typically govern the performance-based payments to a private partner. For greater clarity, Project 1 and Project 2 have separate and distinct Project Agreements.

Procurement, Implementation and Other Owner Costs: The Government of Saskatchewan's costs related to financial, legal and technical advisors as well as the estimated future costs of managing the project under the traditional and P3 method.

Progress Payments: The payments made to Project Co by the Ministry of Education during the design and construction period. Progress Payments are based on the percentage of construction complete within a defined period of time.

Project Co: The consortium of companies selected as Preferred Proponent at the end of the Request for Proposals stage. This consortium will enter into a contract with the owner to carry out the design development, construction, commissioning, and maintenance phases of the project.

Public-Private Partnership (P3): An alternative delivery model for developing public assets such as schools, roads, and healthcare facilities in a timely and cost effective manner. P3s typically generate savings and value for taxpayers when the projects are complex and large in value (greater than $100 million).

Risk Adjustment: The quantified value of project risks carried by the Authority under the DBB (traditional) and P3 models.

Relocatable Classrooms: Refers to non-permanent, removable, relocatable modular unit used to manage fluctuations in student enrolment.

Relocatable Classroom Payments: The payments made by the Ministry of Education to Project Co for the supply, delivery, installation and commissioning of Relocatable Classrooms on or before Service Commencement.

Request for Proposals (RFP): The stage of procurement where the government issues a closed invitation to qualified bidders to submit formal proposals to deliver a project.

Request for Qualifications (RFQ): The stage of procurement where the government issues an open invitation to private sector entities interested in submitting proposals for the Request for Proposals stage. The RFQ stage is used to qualify bidders to move forward to the RFP stage.

School(s): Refers to the 9 joint-use schools to be built through the DBFM P3 procurement model; where Project 1 refers to the three Schools scheduled for Regina and Project 2 refers to the six Schools scheduled for Martensville, Saskatoon and Warman.

School Service Commencement: The stage in the design and construction period where Project Co has completed all technical specifications and requirements for the design and construction of the Schools, as prescribed by the Project Agreement. School Service Commencement must be formally certified by the Independent Certifier for the School to be operational.

Service Payment: The mechanism used in a P3 to financially compensate the private partner over the term of the agreement. Specified by the terms of the Project Agreement, a Service Payment is paid to the private partner for capital, maintenance and Life Cycle costs, as well as their required rate of return.

Value for Money (VFM) Assessment: Quantitative assessment that compares the costs of delivering a project under a traditional DBB approach and a P3 model on a NPV basis. In the case of the Joint-Use Schools Projects, the assessment compared the estimated costs of building and maintaining the same Schools using two different methods: traditional (DBB) and P3 (DBFM). The difference between these costs – measured in NPV – is the VFM. For a P3 to provide value, the P3 must cost less than the traditional approach over the life of the Project Agreement.

Appendix B: Joint-Use Schools Project 1 Independent Fairness Advisor Report

KPMG

MINISTRY OF EDUCATION AND SASKBUILDS
SASKATCHEWAN JOINT-USE SCHOOLS PROJECT

PROJECT #1

FINAL REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT PROCESS:

RFP STAGE

June 5, 2015

TO: STEERING COMMITTEE,
SASKATCHEWAN JOINT-USE SCHOOLS PROJECT - PROJECT #1

This report covers the following:

1. Scope of review;
2. Purpose of review;
3. Framework for review;
4. Statement - review has been conducted in accordance with framework;
5. Explanatory details regarding variables affecting review;
6. Project Background / Monitoring Activities by Fairness Advisor;
7. Recommendations to improve process in future;
8. Any qualifications on endorsement of process;
9. Statement that Fairness Advisor has fulfilled terms of engagement in order to express opinion; and
10. Findings / opinion - whether process appears to have been undertaken in accordance with fairness principles expressed or implied in procurement documents.

Respectfully submitted,

Owen D. Pawson
Fairness Advisor

BACKGROUND

The Ministry of Education (the "Authority"), intends to enter into agreements to design, build, finance (partially) and maintain a total of nine joint-use schools (the "Saskatchewan Joint-Use Schools Project"). Three of the nine schools will be located in Regina and will comprise Project #1. Six schools will be located in central Saskatchewan (four in Saskatoon, one in Martensville and one in Warman) and will comprise Project #2. The Authority is working collaboratively with participating public school divisions and Catholic school divisions including: Regina School Division No. 4; and, Regina Roman Catholic Separate School Division No. 81 for Project #1; and for Project #2: Saskatoon School Division No. 13; St Paul's Roman Catholic Separate School Division No. 20 (Saskatoon, Martensville and Warman); and, Prairie Spirit School Division No. 206 (Martensville and Warman).

The Request for Qualifications ("RFQ") stage of the competitive selection process selected shortlists with three qualified Respondents for each of Project #1 and Project #2. The shortlisted Respondents were entitled to participate in the Request for Proposals ("RFP") stage of the competitive selection process for Project #1 and Project #2. Those shortlisted Proponents received an RFP for either or both Project #1 and Project #2 depending on their expressed interest. Three Proponents indicated an interest in pursuing both Projects.

SCOPE OF FAIRNESS REVIEW

I was retained on June 24, 2014 to act as the Fairness Advisor for the Saskatchewan Joint-Use Schools Project. My role is to satisfy myself on the overall procedural fairness of the competitive procurement process associated with the Saskatchewan Joint-Use Schools Project.

The Authority issued the RFQ for the Saskatchewan Joint-Use Schools Project on July 31, 2014. The opportunity was posted on the electronic bidding site MERX® and SaskTenders. Three Respondents responded to the RFQ. All three indicated an interest in both Project #1 and Project #2. After a full evaluation, the three Respondents were shortlisted to advance to the RFP stage of the selection process for both Project #1 and Project #2. Those three were;

- Tandem Education Partners;
- Joint Use Mutual Partnership; and,
- Plenary Education.

The RFP for Project #1 was issued to the three Proponents on October 31, 2014. Technical Submissions closed on April 2, 2015 and Financial Submissions were received May 21, 2015.

My engagement covers the competitive selection process from the issuance of the RFQ to conclusion of the procurement process with the selection of the Preferred Proponent for both Project #1 and Project #2. This Final Report covers the RFP stage of the procurement leading to the recommendation of the Preferred Proponent for Project #1.

The terms of engagement state that, as Fairness Advisor, I was asked to do the following:

- act as an independent observer with respect to the fairness of the implementation of the Project's procurement processes;
- provide advice to the Project team on matters of fairness;
- be available to Proponents to answer queries relating to fairness; and

- provide formal written reports at specific points during the procurement process as described below.

It is expected that the activities of the Fairness Advisor will be self-determined but are likely to include the following:

- review RFQ and RFP documentation and comment on whether, and the extent to which, the process described may potentially cause a fairness issue (recognizing that the Fairness Advisor is not acting as legal counsel to the Project);
- observe and monitor that consideration, communications and responses undertaken during RFQ and RFP process and are undertaken in accordance with the RFQ and RFP terms;
- observe and monitor bilateral discussions and meetings;
- observe and/or monitor the RFQ and RFP evaluation process; and
- observe and monitor relevant (as determined by the Fairness Advisor) meetings where Proponent comparisons are made and the criteria, weighting and rating systems are applied.

The Fairness Advisor will be:

- provided full access to all information related to the competitive selection processes as the Fairness Advisor decides is required, including documentation, personnel, premises, meetings, reports and minutes;
- permitted full access to any and all meetings, telephone conferences or other events as, in the discretion of the Fairness Advisor, are appropriate; and
- kept fully informed by the SaskBuilds Project Director of all documents and activities associated with the RFQ and RFP processes.

My role as the Fairness Advisor is not to validate the Evaluation Committee's recommendation of the selected Preferred Proponent; but, rather to provide oversight and assurances regarding the procurement processes applied in making the recommendation. As Fairness Advisor, I may meet these responsibilities by undertaking the steps I determine are most appropriate to comply with the stated mandate.

PURPOSE OF REVIEW

The purpose of my review is to provide arm's length advice and independent assurance for the Saskatchewan Joint-Use Schools Project as to the fairness and appropriateness of project management activities for the competitive procurement process.

FRAMEWORK FOR REVIEW

At each stage of the procurement process covered by my engagement, I undertook selected activities in order to meet the terms of my review. These included:

(a) reviewing standards for handling of documents, security of documents, procedures for clarifying or rectifying errors by the Authority and Proponents;

(b) reviewing documentation issued by SaskBuilds to Proponents including all procurement documents and addenda;

(c) ascertaining whether each Proponent was provided with access to the same information as other Proponents for the purposes of responding to the various procurement stages;

(d) ascertaining whether Evaluation Criteria were established in advance of evaluations being undertaken;

(e) ensuring that adequate measures for avoidance of conflict of interest, unfair advantage and confidentiality were established in the procurement process as well as procedures for resolving issues which may arise during the process;

(f) obtaining information regarding rulings made by the Relationship Review Committee (and Conflict of Interest Adjudicator if applicable);

(g) reviewing the Evaluation criteria proposed for the various stages of the procurement to determine that they were reasonably and rationally connected to the stated Project objectives;

(h) reviewing submissions to ensure an adequate familiarity with their terms in order to undertake the Fairness Review;

(i) reviewing procedures to ensure that appropriate records regarding verbal and written contact with Proponents were prepared and retained; and

(j) attending selected meetings of the Evaluation Committee and Evaluation Teams.

REVIEW CONDUCTED IN ACCORDANCE WITH THIS FRAMEWORK

My review was conducted within the framework for review as set out above.

PROJECT BACKGROUND AND MONITORING ACTIVITIES OF FAIRNESS ADVISOR

As noted above, the Saskatchewan Joint-Use Schools Project is for the design, construction, financing and maintenance of nine joint-use schools in the Province. Project #1 is comprised of the three schools in Regina.

A. Appointment of Fairness Advisor

The role of Fairness Advisor is to provide oversight on the procurement process to ensure that the process for selecting a Preferred Proponent is open, fair and equitable. A Fairness Advisor also provides advice on issues which may arise during the procurement process which could impact on the overall fairness of the selection process. Fairness Advisors are typically used in public-private partnerships and, with increasing frequency, in other public sector procurements such as design-build procurements where a standard tendering process is not being utilized.

A Fairness Review typically follows four phases of the procurement process:

1. before closing of the procurement process;
2. after closing of the procurement process;
3. the procurement evaluation stage; and
4. post procurement evaluation.

As stated above, the role of the Fairness Advisor is not to validate the Evaluation Committee's recommendation of the selected Preferred Proponent; rather, it is to provide oversight and assurances regarding the procurement processes applied in making the recommendation.

B. Procurement Process for the Saskatchewan Joint-Use Schools Project

This stage of the procurement process for Project #1 involved a Request for Proposals (RFP).

C. Request for Proposals

The RFP for Project #1 was issued on October 31, 2014 and closed April 2, 2015 for Technical Submissions. May 21, 2015 was the stipulated date for receipt of Financial Submissions.

All Proponents were required to agree to certain confidentiality provisions in order to participate in the RFP process. In my opinion, this was a reasonable and fair requirement.

The Authority held a series of Collaborative Meetings with each of the Proponent teams for Project #1 to provide greater clarity and feed-back information regarding the proposed design and input to the Proponents within the context of the stated requirements in the RFP. These were separate meetings with each of the Proponents to discuss their design solutions for the three schools located in Regina for Project #1. The Fairness Advisor or his delegate attended the Collaborative Meetings for the Project which ran from November 2014 through March 2015. Proponents were also able to review their designs with the City of Regina in separate and confidential meetings (that included SaskBuilds representatives) to discuss the applicability of the City's permitting and access requirements.

An Evaluation Committee was established as well as certain Evaluation Teams (which were subcommittees for topic specific reviews) in advance of the closing date for the Technical Submissions for Project #1. Although the Evaluation Teams were appointed to assist the Evaluation Committee, the ultimate responsibility for evaluating and scoring the Proposals rested with the Evaluation Committee based on a comprehensive review of the Proposals. The Evaluation Committee was then to recommend to the Authority a Preferred Proponent. As noted, if appropriate based on the RFP, the Evaluation Committee could recommend a single Preferred Proponent for both Project #1 and Project #2.

Each member of the Evaluation Committee and each member of the Evaluation Teams were required to execute a Relationship Disclosure declaration and a Confidentiality Agreement in advance of having access to any information or submissions received in response to the RFP. An Evaluation Manual was developed for use by both the Evaluation Teams for the Projects and for the Evaluation Committee in advance of the closing date for the Technical Submissions. Orientation and training in the use of the Evaluation Manual, including scoring, was provided in advance of the actual evaluation. Evaluators were apprised of the appointment of the Fairness Advisor. A Due Diligence advisor was also appointed for the process and an internal review process was established for identifying any potential conflict or similar issues upon submission of the required documents. There were no conflicts identified which prevented any person from participating in the evaluation or review of the RFP submissions.

Prior to the closing dates for both Technical and Financial submissions for the Project, there were a few minor matters for which I (or my delegate) was consulted or advice sought by the Project Director or Evaluation Teams during and after the Collaborative Meetings. All issues raised were addressed to my satisfaction. No Proponent contacted me with any fairness issues.

Three Technical Submissions were received at the submission location on or before the deadline stated in the RFP. No late submissions were received. Each of the submissions was subjected to a high level completeness review. No deficiencies were noted.

The Evaluation Teams for Project #1 met over the course of several weeks. A number of clarification questions were issued to each of the Proponents by the Evaluation Teams for Project #1. These questions were permitted by the terms of the RFP. The Evaluation Committee met during May, 2015 to evaluate the Technical Submissions of each of the Proponents for Project #1. The scored elements aspect of the evaluation was done independently of the Evaluation Committee being aware of the Financial Submissions.

The Fairness Advisor was apprised of all meetings and attended selected Evaluation Committee meetings and scoring sessions (in person or by delegate) and the consensus meetings for Technical and Financial Evaluation Teams. In summary, the Evaluation Teams reached consensus on their evaluations based on the evaluation criteria in the RFP and reported their findings to the Evaluation Committee. I observed and monitored lengthy discussions of the Evaluation Committee on each Proposal which were based on: the Technical and Financial Submissions; responses of the Proponents to clarification questions; and, the comments and analysis done by the Evaluation Teams. The members of the Evaluation Committee clearly understood that the ultimate responsibility for evaluation rested with them, although they duly received and fully considered the advice from the Evaluation Teams. Each of the Proponent's Submissions for Project #1 were fully discussed and considered, and the Evaluation Committee applied the pre-determined RFP evaluation criteria and methodology during evaluation of the Technical and Financial Submissions. The Due Diligence advisor was involved in an oversight role and was satisfied with the overall RFP evaluation.

During the RFP stage of the procurement, the Authority determined that, in order to meet the aggressive delivery schedule for the Saskatchewan Joint-Use Schools Project and to enable the selected Proponent to meet the date identified in the RFP for service commencement of the schools, it would be prudent to have the selected Preferred Proponent commence work prior to execution of the Project Agreement. Accordingly, a draft "early works agreement" was provided to the Proponents for comment and they were given an opportunity to adjust their proposed schedule as they determined appropriate. The Proponents were advised of this opportunity by way of Addendum and were advised to note in their Financial Submission any amendments to the schedule they had submitted in their Technical Submission.

During the course of the evaluation for Project #1, my advice was occasionally sought by the Evaluation Committee. I was satisfied that the manner in which matters were addressed by the Evaluation Committee was fair to all Proponents and conformed to requirements of the RFP.

RECOMMENDATIONS TO IMPROVE THE PROCESS FOR FUTURE PROCUREMENTS

No recommendations are suggested.

ANY QUALIFICATIONS ON THE ENDORSEMENT OF THE PROCESS

My fairness review has been based on: a review of selected documentation and records; discussions with the Evaluation Committee; attendance and observations (or that of my delegate) during the activities of the Evaluation Committee and Evaluation Teams; answers to questions posed by or to me and my observations of the meetings I attended. I have reviewed a sampling of Project related documentation, but not every document created by each and every staff member or advisor.

FINDINGS

In summary, the Evaluation Committee selected and recommended a Preferred Proponent in accordance with the criteria set out in the RFP. The Evaluation Committee's report to the Authority reflected the decisions and scoring that I observed in the evaluation process. By my observation, the procurement process followed was in accordance with the terms of the RFP and appeared to be fair, transparent and unbiased.

According, it is my opinion that the RFP procurement process for Project #1 has been conducted in a fair manner in accordance with the procedures established for the RFP stage. In particular, I am satisfied that:

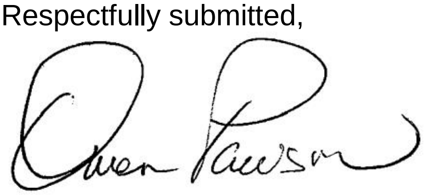
1. members of Evaluation Teams and Committee (and their advisors) for Project #1 of the Saskatchewan Joint-Use Schools Project, followed the procedures and fairly applied the evaluation criteria specified in the procurement documents;
2. where judgment and interpretation were allowed or required, the members exercised reasonable judgment and made interpretations in a fair and impartial manner.

I am satisfied that I have been provided with the appropriate access and information to render this fairness opinion.

FULFILLMENT OF REVIEW TERMS

I confirm that I have fulfilled the terms of my engagement based on the activities described to you above.

Respectfully submitted,



Owen D. Pawson,
Fairness Advisor

Dated at Vancouver, B.C. this 5th day of June, 2015

Appendix C: Joint-Use Schools Project 2 Independent Fairness Advisor Report

MINISTRY OF EDUCATION AND SASKBUILDS
SASKATCHEWAN JOINT-USE SCHOOLS PROJECT

PROJECT #2

FINAL REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT PROCESS:

RFP STAGE

June 5, 2015

TO: STEERING COMMITTEE,
SASKATCHEWAN JOINT-USE SCHOOLS PROJECT - PROJECT #2

This report covers the following:

1. Scope of review;
2. Purpose of review;
3. Framework for review;
4. Statement - review has been conducted in accordance with framework;
5. Explanatory details regarding variables affecting review;
6. Project Background / Monitoring Activities by Fairness Advisor;
7. Recommendations to improve process in future;
8. Any qualifications on endorsement of process;
9. Statement that Fairness Advisor has fulfilled terms of engagement in order to express opinion; and
10. Findings / opinion - whether process appears to have been undertaken in accordance with fairness principles expressed or implied in procurement documents.

Respectfully submitted,

Owen D. Pawson
Fairness Advisor

BACKGROUND

The Ministry of Education (the "Authority"), intends to enter into agreements to design, build, finance (partially) and maintain a total of nine joint-use schools (the "Saskatchewan Joint-Use Schools Project"). Six schools will be located in central Saskatchewan (four in Saskatoon, one in Martensville and one in Warman) and will comprise Project #2. Three of the nine schools will be located in Regina and will comprise Project #1. The Authority is working collaboratively with participating public school divisions and Catholic school divisions including: for Project #2: Saskatoon School Division No. 13; St Paul's Roman Catholic Separate School Division No. 20 (Saskatoon, Martensville and Warman); and, Prairie Spirit School Division No. 206 (Martensville and Warman) and, for Project #1, Regina School Division No. 4; and, Regina Roman Catholic Separate School Division No. 81.

The Request for Qualifications ("RFQ") stage of the competitive selection process selected shortlists with three qualified Respondents for each of Project #1 and Project #2. The shortlisted Respondents were entitled to participate in the Request for Proposals ("RFP") stage of the competitive selection process for Project #1 and Project #2. Those shortlisted Proponents received an RFP for either or both Project #1 and Project #2 depending on their expressed interest. Three Proponents indicated an interest in pursuing both Projects.

SCOPE OF FAIRNESS REVIEW

I was retained on June 24, 2014 to act as the Fairness Advisor for the Saskatchewan Joint-Use Schools Project. My role is to satisfy myself on the overall procedural fairness of the competitive procurement process associated with the Saskatchewan Joint-Use Schools Project.

The Authority issued the RFQ for the Saskatchewan Joint-Use Schools Project on July 31, 2014. The opportunity was posted on the electronic bidding site MERX® and SaskTenders. Three Respondents responded to the RFQ. All three indicated an interest in both Project #1 and Project #2. After a full evaluation, the three Respondents were shortlisted to advance to the RFP stage of the selection process for both Project #1 and Project #2. Those three were;

- Tandem Education Partners;
- Joint Use Mutual Partnership; and,
- Plenary Education.

The RFP for Project #2 was issued to the three Proponents on October 31, 2014. Technical Submissions closed on April 16, 2015 and Financial Submissions were received May 21, 2015.

My engagement covers the competitive selection process from the issuance of the RFQ to conclusion of the procurement process with the selection of the Preferred Proponent for both Project #1 and Project #2. This Final Report covers the RFP stage of the procurement leading to the recommendation of the Preferred Proponent for Project #2.

The terms of engagement state that, as Fairness Advisor, I was asked to do the following:

- act as an independent observer with respect to the fairness of the implementation of the Project's procurement processes;
- provide advice to the Project team on matters of fairness;
- be available to Proponents to answer queries relating to fairness; and

- provide formal written reports at specific points during the procurement process as described below.

It is expected that the activities of the Fairness Advisor will be self-determined but are likely to include the following:

- review RFQ and RFP documentation and comment on whether, and the extent to which, the process described may potentially cause a fairness issue (recognizing that the Fairness Advisor is not acting as legal counsel to the Project);
- observe and monitor that consideration, communications and responses undertaken during RFQ and RFP process and are undertaken in accordance with the RFQ and RFP terms;
- observe and monitor bilateral discussions and meetings;
- observe and/or monitor the RFQ and RFP evaluation process; and
- observe and monitor relevant (as determined by the Fairness Advisor) meetings where Proponent comparisons are made and the criteria, weighting and rating systems are applied.

The Fairness Advisor will be:

- provided full access to all information related to the competitive selection processes as the Fairness Advisor decides is required, including documentation, personnel, premises, meetings, reports and minutes;
- permitted full access to any and all meetings, telephone conferences or other events as, in the discretion of the Fairness Advisor, are appropriate; and
- kept fully informed by the SaskBuilds Project Director of all documents and activities associated with the RFQ and RFP processes.

My role as the Fairness Advisor is not to validate the Evaluation Committee's recommendation of the selected Preferred Proponent; but, rather to provide oversight and assurances regarding the procurement processes applied in making the recommendation. As Fairness Advisor, I may meet these responsibilities by undertaking the steps I determine are most appropriate to comply with the stated mandate.

PURPOSE OF REVIEW

The purpose of my review is to provide arm's length advice and independent assurance for the Saskatchewan Joint-Use Schools Project as to the fairness and appropriateness of project management activities for the competitive procurement process.

FRAMEWORK FOR REVIEW

At each stage of the procurement process covered by my engagement, I undertook selected activities in order to meet the terms of my review. These included:

(a) reviewing standards for handling of documents, security of documents, procedures for clarifying or rectifying errors by the Authority and Proponents;

(b) reviewing documentation issued by SaskBuilds to Proponents including all procurement documents and addenda;

(c) ascertaining whether each Proponent was provided with access to the same information as other Proponents for the purposes of responding to the various procurement stages;

(d) ascertaining whether Evaluation Criteria were established in advance of evaluations being undertaken;

(e) ensuring that adequate measures for avoidance of conflict of interest, unfair advantage and confidentiality were established in the procurement process as well as procedures for resolving issues which may arise during the process;

(f) obtaining information regarding rulings made by the Relationship Review Committee (and Conflict of Interest Adjudicator if applicable);

(g) reviewing the Evaluation criteria proposed for the various stages of the procurement to determine that they were reasonably and rationally connected to the stated Project objectives;

(h) reviewing submissions to ensure an adequate familiarity with their terms in order to undertake the Fairness Review;

(i) reviewing procedures to ensure that appropriate records regarding verbal and written contact with Proponents were prepared and retained; and

(j) attending selected meetings of the Evaluation Committee and Evaluation Teams.

REVIEW CONDUCTED IN ACCORDANCE WITH THIS FRAMEWORK

My review was conducted within the framework for review as set out above.

PROJECT BACKGROUND AND MONITORING ACTIVITIES OF FAIRNESS ADVISOR

As noted above, the Saskatchewan Joint-Use Schools Project is for the design, construction, financing and maintenance of nine joint-use schools in the Province. Project #2 is comprised of the six schools in central Saskatchewan: four in Saskatoon, one in Martensville and one in Warman.

A. Appointment of Fairness Advisor

The role of Fairness Advisor is to provide oversight on the procurement process to ensure that the process for selecting a Preferred Proponent is open, fair and equitable. A Fairness Advisor also provides advice on issues which may arise during the procurement process which could impact on the overall fairness of the selection process. Fairness Advisors are typically used in public-private partnerships and, with increasing frequency, in other public sector procurements such as design-build procurements where a standard tendering process is not being utilized.

A Fairness Review typically follows four phases of the procurement process:

1. before closing of the procurement process;
2. after closing of the procurement process;
3. the procurement evaluation stage; and
4. post procurement evaluation.

As stated above, the role of the Fairness Advisor is not to validate the Evaluation Committee's recommendation of the selected Preferred Proponent; rather, it is to provide oversight and assurances regarding the procurement processes applied in making the recommendation.

B. Procurement Process for the Saskatchewan Joint-Use Schools Project

This stage of the procurement process for Project #2 involved a Request for Proposals (RFP).

C. Request for Proposals

The RFP for Project #2 was issued on October 31, 2014 and closed April 16, 2015 for Technical Submissions. May 21, 2015 was the stipulated date for receipt of Financial Submissions.

All Proponents were required to agree to certain confidentiality provisions in order to participate in the RFP process. In my opinion, this was a reasonable and fair requirement.

The Authority held a series of Collaborative Meetings with each of the Proponent teams for Project #2 to provide greater clarity and feed-back information regarding the proposed design and input to the Proponents within the context of the stated requirements in the RFP. These were separate meetings with each of the Proponents to discuss their design solutions for the four schools located in Saskatoon, one school in Martensville and one school in Warman. The Fairness Advisor attended the Collaborative Meetings for Project #2 which ran from November 2014 through March 2015. Proponents were also able to review their designs with the City of Saskatoon, the City of Martensville and the City of Warman, as applicable, in separate and confidential meetings (that included SaskBuilds representatives) to discuss the applicability of each of the City's permitting and access requirements.

An Evaluation Committee was established as well as certain Evaluation Teams (which were subcommittees for topic specific reviews) in advance of the closing date for the Technical Submissions for Project #2. Although the Evaluation Teams were appointed to assist the Evaluation Committee, the ultimate responsibility for evaluating and scoring the Proposals rested with the Evaluation Committee based on a comprehensive review of the Proposals. The Evaluation Committee was then to recommend to the Authority a Preferred Proponent. As noted, if appropriate based on the RFP, the Evaluation Committee could recommend a single Preferred Proponent for both Project #1 and Project #2.

Each member of the Evaluation Committee and each member of the Evaluation Teams were required to execute a Relationship Disclosure declaration and a Confidentiality Agreement in advance of having access to any information or submissions received in response to the RFP. An Evaluation Manual was developed for use by both the Evaluation Teams for the Projects and for the Evaluation Committee in advance of the closing date for the Technical Submissions. Orientation and training in the use of the Evaluation Manual, including scoring, was provided in advance of the actual evaluation. Evaluators were apprised of the appointment of the Fairness Advisor. A Due Diligence advisor was also appointed for the process and an internal review process was established for identifying any potential conflict or similar issues upon submission of the required documents. There were no conflicts identified which prevented any person from participating in the evaluation or review of the RFP submissions.

Prior to the closing dates for both Technical and Financial submissions for the Project, there were a few minor matters for which I (or my delegate) was consulted or advice sought by the Project Director or Evaluation Teams during and after the Collaborative Meetings. All issues raised were addressed to my satisfaction. No Proponent contacted me with any fairness issues.

Three Technical Submissions were received at the submission location on or before the deadline stated in the RFP. No late submissions were received. Each of the submissions was subjected to a high level completeness review. No deficiencies were noted.

The Evaluation Teams for Project #2 met over the course of several weeks. A number of clarification questions were issued to each of the Proponents by the Evaluation Teams for Project #2. These questions were permitted by the terms of the RFP. The Evaluation Committee met during May, 2015 to evaluate the Technical Submissions of each of the Proponents for Project #2. The scored elements aspect of the evaluation was done independently of the Evaluation Committee being aware of the Financial Submissions.

The Fairness Advisor was apprised of all meetings and attended selected Evaluation Committee meetings and scoring sessions (in person or by delegate) and the consensus meetings for Technical and Financial Evaluation Teams. In summary, the Evaluation Teams reached consensus on their evaluations based on the evaluation criteria in the RFP and reported their findings to the Evaluation Committee. I observed and monitored lengthy discussions of the Evaluation Committee on each Proposal which were based on: the Technical and Financial Submissions; responses of the Proponents to clarification questions; and, the comments and analysis done by the Evaluation Teams. The members of the Evaluation Committee clearly understood that the ultimate responsibility for evaluation rested with them, although they duly received and fully considered the advice from the Evaluation Teams. Each of the Proponent's Submissions for Project #2 were fully discussed and considered, and the Evaluation Committee applied the pre-determined RFP evaluation criteria and methodology during evaluation of the Technical and Financial Submissions. The Due Diligence advisor was involved in an oversight role and was satisfied with the overall RFP evaluation.

During the RFP stage of the procurement, the Authority determined that, in order to meet the aggressive delivery schedule for the Saskatchewan Joint-Use Schools Project and to enable the selected Proponent to meet the date identified in the RFP for service commencement of the schools, it would be prudent to have the selected Preferred Proponent commence work prior to execution of the Project Agreement. Accordingly, a draft "early works agreement" was provided to the Proponents for comment and they were given an opportunity to adjust their proposed schedule as they determined appropriate. The Proponents were advised of this opportunity by way of Addendum and were advised to note in their Financial Submission any amendments to the schedule they had submitted in their Technical Submission.

During the course of the evaluation for Project #2, my advice was occasionally sought by the Evaluation Committee. I was satisfied that the manner in which matters were addressed by the Evaluation Committee was fair to all Proponents and conformed to requirements of the RFP.

RECOMMENDATIONS TO IMPROVE THE PROCESS FOR FUTURE PROCUREMENTS

No recommendations are suggested.

ANY QUALIFICATIONS ON THE ENDORSEMENT OF THE PROCESS

My fairness review has been based on: a review of selected documentation and records; discussions with the Evaluation Committee; attendance and observations (or that of my delegate) during the activities of the Evaluation Committee and Evaluation Teams; answers to questions posed by or to me and my observations of the meetings I attended. I have reviewed a sampling of Project related documentation, but not every document created by each and every staff member or advisor.

FINDINGS

In summary, the Evaluation Committee selected and recommended a Preferred Proponent in accordance with the criteria set out in the RFP. The Evaluation Committee's report to the Authority reflected the decisions and scoring that I observed in the evaluation process. By my observation, the procurement process followed was in accordance with the terms of the RFP and appeared to be fair, transparent and unbiased.

According, it is my opinion that the RFP procurement process for Project #2 has been conducted in a fair manner in accordance with the procedures established for the RFP stage. In particular, I am satisfied that:

1. members of Evaluation Teams and Committee (and their advisors) for Project #2 of the Saskatchewan Joint-Use Schools Project, followed the procedures and fairly applied the evaluation criteria specified in the procurement documents;
2. where judgment and interpretation were allowed or required, the members exercised reasonable judgment and made interpretations in a fair and impartial manner.

I am satisfied that I have been provided with the appropriate access and information to render this fairness opinion.

FULFILLMENT OF REVIEW TERMS

I confirm that I have fulfilled the terms of my engagement based on the activities described to you above.

Respectfully submitted,

Owen D. Pawson,
Fairness Advisor

Dated at Vancouver, B.C. this 5th day of June, 2015